

PRESIDENT'S EXPORT COUNCIL SUBCOMMITTEE
ON EXPORT ADMINISTRATION
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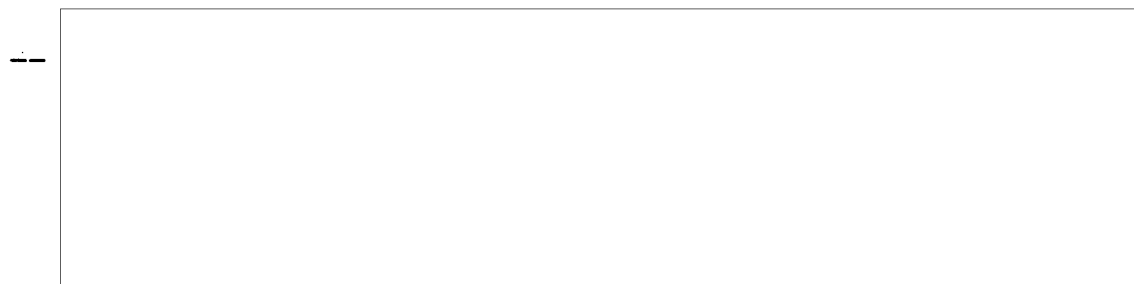
A FRAMEWORK FOR EXPORT CONTROL DECISIONS
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CIA HAS DOCUMENTED TIME AND TIME AGAIN THAT THE PROSCRIBED COUNTRIES -- PRINCIPALLY THE SOVIET UNION AND OTHERS IN THE WARSAW PACT -- HAVE LARGE SCALE PROGRAMS TO ACQUIRE -- BOTH LEGALLY AND ILLEGALLY -- WESTERN EQUIPMENT AND TECHNOLOGY TO ENHANCE THEIR MILITARY. THESE TECHNOLOGY ACQUISITION PROGRAMS ARE TARGETED PRIMARILY AGAINST THE UNITED STATES, WESTERN EUROPE AND JAPAN.

FROM THE SCOPE AND VOLUME OF TRANSACTIONS WE HAVE OBSERVED, IT IS CLEAR THAT THE SOVIET APPETITE FOR WESTERN TECHNOLOGY IS ENORMOUS.

-- EACH YEAR THE SOVIETS ILLICITLY PURCHASE THOUSANDS OF COMPUTER NUMERICAL CONTROLLERS FOR MULTI-AXIS MACHINE TOOLS FROM COMPANIES IN COCOM COUNTRIES. THESE LARGE-SCALE, HARD-CURRENCY PURCHASES DEMONSTRATE THE DEPTH OF THE SOVIETS' NEED AND THE SCOPE OF THEIR COLLECTION EFFORT.

-- THE WELL-PUBLICIZED TOSHIBA ISSUE IN PARTICULAR --
INCLUDING DIVERSIONS OF PROPELLER MILLING MACHINES AND
MICROELECTRONICS TECHNOLOGY -- REVEALED THE EXTENT TO
WHICH THE WARSAW PACT IDENTIFIES, TARGETS, AND ACQUIRES
WESTERN TECHNOLOGY TO MEET MILITARY NEEDS.



SOVIET TECHNOLOGY ACQUISITIONS UNDER GORBACHEV

WE BELIEVE MOSCOW'S APPETITE FOR WESTERN TECHNOLOGY IS
INCREASING.

-- EVEN WITH THEIR CURRENT COLLECTION EFFORT, THE SOVIETS
CONTINUE TO FALL FURTHER BEHIND THE WEST IN KEY
FOUNDATION TECHNOLOGIES SUCH AS MICROELECTRONICS AND
MACHINE TOOLS. IN SUPERCOMPUTERS, MOSCOW IS 12 YEARS
BEHIND AND THE GAP GROWS EVERY DAY; FOR SOME
HIGH-PERFORMANCE PERIPHERALS, THE GAP EXCEEDS 15 YEARS.

-- THE US DEFENSE BUILDUP OF THE 1980'S, PARTICULARLY NEW
PROJECTS SUCH AS THE STEALTH B-2 BOMBER AND SDI, MEAN
NEW REQUIREMENTS FOR COLLECTION BY MOSCOW.

IT IS CLEAR THAT GORBACHEV'S REFORMS ARE DESIGNED TO SPUR THE SOVIET ECONOMY, IMPROVE ITS DOMESTIC R&D CAPABILITIES, AND REDUCE SOVIET NEED FOR WESTERN TECHNOLOGY. BUT AT THE PRESENT STAGE, THE REFORMS CANNOT SUBSTITUTE FOR ESPIONAGE OR TRADE DIVERSION. THE PROBLEM -- FROM THE SOVIET VIEW -- IS THAT FIRST THE REFORMS HAVE TO WORK -- AND THAT REMAINS AN OPEN QUESTION -- AND SECOND, THE MILITARY CANNOT WAIT LONG. IF MOSCOW WENT COMPLETELY "COLD TURKEY" OFF WESTERN TECHNOLOGY IN THE MILITARY AREA, THE WIDENING OF THE GAP BETWEEN THE US AND THE USSR WOULD ACCELERATE.

GORBACHEV HAS ALLUDED TO THESE PROBLEMS IN RECENT SPEECHES TO THE POLITBURO AND THE SOVIET LEADERSHIP IS TAKING STEPS TO IMPROVE LEGAL GAIN ACCESS TO WESTERN TECHNOLOGY. THE ONGOING RESTRUCTURING WITHIN THE SOVIET UNION IS CREATING NEW OPPORTUNITIES FOR LEGITIMATE TRADE. NUMEROUS HIGH-LEVEL SOVIET DELEGATIONS VISIT WESTERN COMPANIES EACH MONTH IN SEARCH OF NEW BUSINESS OPPORTUNITIES. EAST-WEST JOINT VENTURE PROPOSALS NOW NUMBER IN THE HUNDREDS AND MOSCOW IS MAKING FURTHER CHANGES IN THEIR RULES TO MAKE SUCH VENTURES MORE ATTRACTIVE TO WESTERN FIRMS.

THE EXPORT CONTROL DILEMMA

FACED WITH A DETERMINED SOVIET TECHNOLOGY ACQUISITION PROGRAM AND A BARRAGE OF GORBACHEV-INSPIRED BUSINESS PROPOSALS, THE US EXPORT CONTROL COMMUNITY WILL ENCOUNTER NUMEROUS HURDLES IN THE NEXT DECADE.

THE COCOM-MEMBER NATIONS ARE GROWING RESTLESS. RECENT STATEMENTS FROM BONN REVEAL A GROWING DISSATISFACTION WITH THE COCOM PROCESS. MANY IN WESTERN EUROPE SEE COCOM'S INDUSTRIAL LIST AS A THORN IN THE SIDE OF LEGITIMATE BUSINESS DEALS. OUR ALLIES ACCUSE US OF HIDING BEHIND A WALL OF EXPORT CONTROL LEGISLATION TO PROTECT OUR OWN INDUSTRIES. THIS CREDIBILITY GAP WITH OUR ALLIES IS GROWING AND THE PRESSURE TO REDUCE OR REVAMP THE LIST OF CONTROLLED EQUIPMENT IS MOUNTING -- FED, IN PART, BY GORBACHEV'S OVERTURES FOR WESTERN PARTICIPATION IN SOVIET INDUSTRIAL MODERNIZATION, AND IN PART BY THE PRESENT EXPORT CONTROL SYSTEM. BASED UPON THE MILITARILY CRITICAL TECHNOLOGIES LIST, THE CURRENT SYSTEM IS NOT EQUIPPED TO GIVE POLICYMAKERS SUFFICIENT DATA -- IN TERMS OF QUANTITY AND QUALITY -- TO TACKLE THE TOUGH ISSUE OF WHAT SHOULD BE CONTROLLED. EVERYBODY AGREES THAT SOVIET BLOC ESPIONAGE -- WHERE THE WARSAW PACT ACTUALLY STEALS MILITARY AND MILITARY RELATED TECHNOLOGY -- IS HARMFUL TO ALLIED INTERESTS. BUT FEW AGREE ON THE SCOPE OF THE DUAL-USE INDUSTRIAL LIST.

A SOLUTION

AS MOST OF YOU ARE ALREADY AWARE, WE HAVE BEEN DEVELOPING A METHODOLOGY THAT MAY ASSIST THE POLICYMAKER. SEVERAL IN THIS ROOM HAVE HEARD OUR DETAILED BRIEFING AND HAVE BEEN ASKED TO REVIEW THE PROJECT THROUGHOUT ITS DEVELOPMENT.

THE METHODOLOGY GOT ITS START A COUPLE OF YEARS AGO, IN PART, BY ACCIDENT. IN 1985, THE TECHNOLOGY TRANSFER ASSESSMENT CENTER BEGAN TO LOOK FOR A SYSTEMATIC WAY TO IDENTIFY SOVIET BOTTLENECKS IN MILITARY PRODUCTION. WE DID THIS BECAUSE WE HAD LIMITED RESOURCES TO THROW AT A BROADBASED SOVIET COLLECTION EFFORT AND WANTED TO FOCUS ON AREAS WHERE THE IMPACT OF SOVIET ACQUISITION WOULD BE GREATEST. THE RESULT OF THIS WORK WAS OUR METHODOLOGY -- A FRAMEWORK FOR SYSTEMATICALLY ASSESSING SOVIET NEEDS, AND IDENTIFYING SPECIFIC WESTERN EQUIPMENT AND TECHNOLOGY NEEDED TO MEET THE GOALS FOR FUTURE SOVIET MILITARY PROJECTS.

THE METHODOLOGY SIMULATES THE SOVIET DECISIONMAKING PROCESS FOR WEAPONS DESIGN, DEVELOPMENT, PRODUCTION, AND DEPLOYMENT, WHICH OVER HISTORY HAS BEEN FAIRLY PREDICTABLE. USING THIS SIMULATION, WE DEVELOPED A LIST OF SOVIET MILITARY SYSTEMS -- CURRENT ONES TO BE MODERNIZED OR NEW ONES ABOUT TO ENTER PRODUCTION OR TESTING. BUILDING ON THIS, WEAPONS ANALYSTS

DEVELOPED A PRIORITIZED LIST OF TECHNOLOGIES NECESSARY TO ACHIEVE THE PERFORMANCE LEVELS OF THE NEW OR ENHANCED WEAPONS. FROM THAT LIST OF TECHNOLOGY NEEDS, WE SUBTRACT SOVIET TECHNOLOGICAL CAPABILITIES TO DETERMINE WHAT MOSCOW STILL NEEDS FROM THE WEST.

OVER THE PAST TWO YEARS WE HAVE BEEN REFINING THE METHODOLOGY TO INCLUDE SUGGESTIONS OF SEVERAL LEADING ACADEMICS, BUSINESS LEADERS AND GOVERNMENT OFFICIALS. THEIR COMMENTS AND CRITICISMS WERE INCORPORATED INTO A PROTOTYPE DATABASE.

OUR INITIAL EFFORT WAS TO LINK SPECIFIC FUTURE SOVIET MILITARY SYSTEMS WITH THEIR REQUIREMENTS FOR WESTERN TECHNOLOGY. WE THEN DEVELOPED A DATABASE WHICH PERMITS DETAILED EXAMINATION OF SEVERAL CATEGORIES OF MICROELECTRONICS PRODUCTION EQUIPMENT. FOR EACH EQUIPMENT CATEGORY, WE PROVIDE OPTIONS HIGHLIGHTING THE NUMBER AND TYPE OF SOVIET MILITARY SYSTEMS WHICH WOULD BENEFIT FROM EACH. FINALLY, FOR EACH OPTION, WE IDENTIFY THE WESTERN SOURCES OF THAT EQUIPMENT, INCLUDING SPECIFIC MODEL NUMBERS.

WHAT STARTED OUT AS AN INTELLIGENCE PROJECT TO IDENTIFY SOVIET TECHNOLOGY TARGETS HAS EVOLVED INTO A SYSTEM THAT COULD PRIORITIZE WESTERN TECHNOLOGY AND EQUIPMENT NEEDED BY THE SOVIET MILITARY. UNLIKE THE CURRENT SYSTEM, WHICH IS HEAVILY

BIASED TOWARD DEVELOPING A UNIVERSAL SET OF "MILITARILY CRITICAL TECHNOLOGIES," OUR SYSTEM RETURNS TO THE ORIGINAL REASON FOR US AND MULTINATIONAL EXPORT CONTROLS -- SOVIET MILITARY TECHNOLOGY NEEDS.

BEYOND YIELDING A LIST OF CRITICAL ITEMS, THE METHODOLOGY COULD ENHANCE THE CONSENSUS IN COCOM. REFLECTING ITS ORIGINAL CHARTER, COCOM TENDS TO SUPPORT CONTROLS ON ITEMS WITH DIRECT MILITARY VALUE. OUR ALLIES DOUBT THAT THE CURRENT CONTROLS ARE LINKED TO SOVIET WEAPON SYSTEMS. INDEED, MANY CRITICS OF THE LIST IN THE US ARGUE THAT THE CURRENT SYSTEM SUFFERS FROM "MIRROR IMAGING" -- THE THEORY THAT ASSUMES WHAT IS CRITICAL FOR THE US IS CRITICAL FOR THE SOVIETS.

WHETHER A NEW EMBARGO LIST WOULD BE LONGER OR SHORTER THAN THE CURRENT COCOM OR US COMMODITY CONTROL LIST IS A POLITICAL DECISION. A LIST BASED ON OUR METHODOLOGY WOULD CONTAIN SOME PRODUCTS NOT ON THE CURRENT LIST AND IT WOULD EXCLUDE SOME THAT ARE ON THE LIST. MOST IMPORTANT, THE LIST WOULD BE PRIORITIZED SO THAT A POLITICAL DECISION ON HOW MUCH TO CONTROL COULD BE IMPLEMENTED BY TRIMMING FROM THE BOTTOM. AFTER THE POLICYMAKER EXAMINES FACTORS, SUCH AS FOREIGN AVAILABILITY, ECONOMIC COSTS, AND FOREIGN POLICY CONSTRAINTS, THE METHODOLOGY PROVIDES A CREDIBLE JUSTIFICATION WHICH CAN BE USED BOTH AT HOME AND ABROAD TO SUPPORT A DECISION TO CONTROL.

I WANT TO EMPHASIZE THAT WE ARE NOT PROVIDING A NEW CONTROL LIST, AN ADDITIONAL CONTROL LIST, OR EVEN A SOLUTION TO ALL OF THE PROBLEMS WITH THE CURRENT SYSTEM. AT BEST, IT IS A TOOL THAT A LICENSING OFFICIAL OR POLICYMAKER MAY USE TO MAKE MORE INFORMED AND CONSISTENT EXPORT CONTROL DECISIONS. THE DATABASE WILL NOT END ALL INTERAGENCY SQUABBLES, ALLAY ALL OF THE LEGITIMATE CONCERNS OF US INDUSTRY, OR RALLY THE ALLIES FIRMLY AROUND A UNIFIED EXPORT CONTROL BANNER. BUT IT CAN PROVIDE A CONSISTENT FRAMEWORK FOR WEIGHING THE COSTS AND BENEFITS OF CONTROL BASED ON A COMMON CRITERION -- SOVIET MILITARY NEED.

THE FUTURE

WE SEEM TO BE ENTERING A PERIOD OF WARMING RELATIONS WITH THE SOVIETS. MISSILES ARE BEING DISMANTLED IN EUROPE AND EAST-WEST JOINT BUSINESS VENTURES ARE TAKING ROOT. WE MUST REMEMBER THAT THE SOVIETS WERE STEALING OUR TECHNOLOGY DURING THE LAST ERA OF DETENTE; REGARDLESS OF THE POLITICAL CLIMATE IN THE WEST, THE SOVIET MILITARY HAS SPECIFIC NEEDS THAT CAN ONLY BE MET WITH WESTERN TECHNOLOGY. OUR JOB AS AN INTELLIGENCE ORGANIZATION IS TO IDENTIFY THOSE SOVIET NEEDS; YOUR JOB AS MEMBERS OF THE US EXPORT CONTROL COMMUNITY IS TO BALANCE THE NEEDS OF BUSINESS WITH THE REQUIREMENTS OF NATIONAL SECURITY.

IN THE ABSENCE OF A STATEMENT OF SUPPORT FROM THE POLICYMAKING COMMUNITY, WE HAVE COME AS FAR AS WE CAN WITH THIS

METHODOLOGY. OUR TECHNOLOGY TRANSFER OFFICE WILL CONTINUE TO USE THE CURRENT, LIMITED DATABASE INTERNALLY AS AN ANALYTIC TOOL. IF, HOWEVER, THE METHODOLOGY IS TO BECOME PART OF A NEW FOUNDATION FOR US EXPORT CONTROL DECISIONS, WE NEED POLITICAL GUIDANCE AND RESOURCES. WE NEED POLITICAL GUIDANCE ON WHAT PATH TO PROCEED AND THE RESOURCES -- BOTH IN MANPOWER AND FUNDING -- TO FULLY IMPLEMENT THE METHODOLOGY.

THE US -- INDEED, THE WEST -- NEEDS AN EXPORT CONTROL REGIME THAT ALLOWS LEGITIMATE TRADE WHILE PROTECTING NATIONAL SECURITY. WE BELIEVE OUR METHODOLOGY WOULD MAKE A CREDIBLE CONTRIBUTION BECAUSE IT FOCUSES ON ONLY THOSE TECHNOLOGIES THE SOVIET MILITARY NEEDS.

THANK YOU. I WOULD BE GLAD TO ANSWER ANY QUESTION YOU HAVE, ALTHOUGH I WILL DIRECT ANY COMPLAINTS AND TECHNICAL QUESTIONS ON THE METHODOLOGY TO MR. DUBOIS.